

**PUBLIC DISCLOSURE**

**July 29, 1996**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Anadarko Bank and Trust Company  
10-40-0100**

**110 West Oklahoma  
Anadarko, Oklahoma 73005**

**NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of Anadarko Bank and Trust Company prepared by Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of July 29, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

**INSTITUTION'S CRA RATING:** *This institution is rated **outstanding**.*

The bank has an outstanding record of helping to meet the credit needs of its assessment area. The bank's average loan-to-deposit ratio exceeds satisfactory performance standards considering the institution's size, financial condition, and assessment area credit needs. A majority of loans are located within the institution's assessment area. Furthermore, the geographic distribution of loans and the distribution among borrowers of different income levels and businesses and farms of different sizes exceed satisfactory performance standards. Finally, the bank has an outstanding record of providing services which help to meet community credit needs.

*The following table indicates the performance level of Anadarko Bank and Trust Company with respect to each of the five performance criteria.*

SMALL INSTITUTION ASSESSMENT CRITERIA	Anadarko Bank and Trust Company PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination.		

## DESCRIPTION OF INSTITUTION

Anadarko Bank and Trust Company (hereafter ~~A~~the bank~~@~~) is located in Anadarko, Oklahoma, which is approximately 60 miles southwest of Oklahoma City. According to 1990 census data, Anadarko has a population of 6,586. The bank's assessment area has a population of 19,140. The bank has the ability to meet the credit needs of its defined assessment area based on its financial condition, size, available resources, and product offerings.

According to the bank's June 30, 1996 Consolidated Reports of Condition and Income (Call Report), the bank's assets totaled \$38,569M, of which loans totaled \$22,498M or 58 percent. As shown below in the distribution table, the bank is primarily an agricultural and commercial lender; however, the bank offers a variety of loan products that meet community credit needs. Examples of these loan

products include residential real estate, consumer purpose, and construction and development loans.

#### THE BANK-S LOAN PORTFOLIO

Loan Type	Amount (\$000)	Percent of Total
Farmland or agricultural	10,059	44.71
Commercial	5,628	25.01
Multiple and 1- to 4-family real estate	4,551	20.23
Consumer	2,088	9.28
Construction and Land Development	200	.89
Other	65	.29
Less Unearned Income	(93)	(.41)
TOTAL	22,498	100

#### DESCRIPTION OF ANADARKO BANK AND TRUST COMPANY-S ASSESSMENT AREA

The bank-s assessment area comprises five block numbering areas (BNAs) in Caddo County, Oklahoma. The area covers the southeast section of the county and includes three middle-income BNAs and two moderate-income BNAs. The City of Anadarko is located in one of the moderate-income BNAs. Overall, the bank-s community is a lower-middle income area with a median family income of \$20,909. This figure is 86.8 percent of the median family income for rural areas statewide. Personal incomes of Caddo County residents rose by 10 percent from 1990 to 1993; however, the trend appears to be slowing as the largest increase in incomes occurred from 1990 to 1992. Incomes rose by only 2.5 percent from 1992 to 1993. Additional assessment area characteristics are summarized in the following table.

<b>BANK ASSESSMENT AREA CHARACTERISTICS</b>	
<b>Tract Summary</b>	
Total Number of Tracts	5
Number of Moderate-Income Tracts	2
Number of Middle-Income Tracts	3
<b>Income Summary</b>	
Median Family Income of the Assessment Area	\$20,909
Percent Low-Income Families	25.3
Percent Moderate-Income Families	20.2
Percent Middle-Income Families	19.7
Percent Upper-Income Families	34.7
<b>Unemployment Summary</b>	
Labor Force Percent of Population (Assessment Area)	54.1
Percent Unemployment (Assessment Area)	10.7
Percent Unemployment (Nonmetropolitan State)	7.5
<b>Miscellaneous Information</b>	
Total Population	19,140
Percent of Households Below Poverty	22.4
Percent of Housing Units Vacant	14.9

The assessment area's economy is largely dependent upon agricultural production. The largest revenue producer is peanuts, followed by cattle operations. Drought conditions earlier this year did not have a debilitating effect on most farmers in the area. Close to 90 percent of the peanut acreage in the area is irrigated; therefore, dry weather allows farmers to control the amount and timing of the moisture. Cattle ranchers experienced greater problems because of the drought; however,

they had requested only small-dollar bridge loans, and the overall economic effect to both financial institutions and ranchers was not significant.

Services, government, and agricultural industries offer the majority of employment opportunities in the bank's assessment area. Community contacts indicated that the local economy has been depressed, but has improved in the last few years and is relatively stable. The City of Anadarko does not offer many employment opportunities. The largest employers are Hollytex, a local carpet mill, and Western Farmers Electric, an electric utility cooperative. A majority of the residents commute to towns and cities outside of Anadarko for work, some going as far away as Oklahoma City.

Area housing is highly affordable; however, a housing shortage exists. Median housing values and gross monthly rents are low as is the vacancy rate. A high percentage (31.7 percent) of area housing stock was built prior to 1950 in comparison to other rural areas within the state, but the median age of housing stock is only 31 years. According to the bank and community contacts, several low-income housing developments are being constructed within Anadarko. The bank regularly supports such development efforts. In addition, four of the seven local Native American tribes received federal monies for housing which will be sold through a loan program backed by the Department of Housing and Urban Development (HUD).

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Several factors were considered in evaluating the bank's CRA performance. These factors include: a review of the bank's level of lending in relation to its deposits and that of other comparable financial institutions within the assessment area; the penetration of loan originations inside and outside the bank's assessment area; the bank's record of lending to borrowers of different income levels and to farms of different sizes; and the distribution of loan originations throughout the bank's assessment area. In addition, local and federal government representatives were contacted to determine what the credit needs were in the area and to verify that the products and services provided by the bank met those needs. A review of the bank's performance under the services and investments tests was performed to determine whether the bank warranted an overall rating of outstanding.

The bank's average loan-to-deposit ratio (calculated using the previous four quarterly loan-to-deposit ratios from June 30, 1995 to March 31, 1996) equaled

63.87 percent and exceeds satisfactory performance standards. The bank's average loan-to-deposit ratio is above that of its peer group, which consists of all insured commercial banks having assets between \$25 million and \$50 million with one banking office located in a nonmetropolitan area. The average loan-to-deposit ratio for the peer group was 61.3 percent. In addition, the bank's average loan-to-deposit ratio was significantly higher than all other area banks which had ratios of 36.81 percent, 50.28 percent, and 57.42 percent.

Another factor which supports the bank's rating within this category is the limited borrowing capacity within the bank's assessment area. Demographic data indicates that 22.4 percent of the families in the bank's assessment area are below the poverty level; 25.3 percent are low-income; and 20.2 percent are moderate-income. In addition, the bank makes a considerable number of small-dollar consumer loans in its assessment area. A community contact representing a federal government agency indicated that the bank was willing to work with all types of applicants, even those with past credit problems. Taking into account the bank's lending related activities, relatively moderate loan demand, and seasonal variations, the bank's average loan-to-deposit ratio exceeds the standards for satisfactory performance.

A majority of the bank's lending occurs within its assessment area, based upon a review of samples of 1- to 4-family real estate, business, and agricultural loan originations. A review of these loan samples revealed that 76 percent of 1- to 4-family real estate loans, 81 percent of business loans, and 63 percent of agricultural loans were located inside the assessment area. Of all loans sampled, 73 percent were within the assessment area. The bank's level of lending within its assessment area meets the standards for satisfactory performance.

The bank's distribution of loans among individuals of different income levels and businesses and farms of different sizes exceeds the standards for satisfactory performance, considering the demographics of the assessment area. The percentage of 1- to 4-family real estate loans to low- and moderate-income borrowers appears to be relatively low compared to the percentage of low- and moderate-income persons within the bank's assessment area. However, the availability of low-to moderate-income housing is limited, thus impacting the volume of such real estate lending. In addition, the banks are competing with the local Native American housing authorities which provide home purchase loans through HUD specifically for low- and moderate-income Native Americans. Considering these factors, the percentage of 1- to 4-family real estate loans to low- and moderate-income persons is reasonable.

Consumer lending represents only 9.28 percent of the bank's loan portfolio; therefore, a sample of these loans was not formally reviewed in determining the bank's performance under the CRA. The actual number of consumer loans originated, compared to other types of lending, is relatively high, however. Accordingly, a cursory review of consumer loans originated during the first two quarters of 1996 revealed that over 40 percent of the loans went to low- and moderate-income borrowers.

Furthermore, the distribution of borrowers reflects, given the demographics of the area, outstanding penetration among individuals of different income levels (including low- and moderate-income) and businesses and farms of different sizes. Examiner analysis of a sample of 98 loans indicated that 23 percent of real estate loans were to borrowers with low- and moderate-incomes. The analysis also indicated that where borrower income was utilized in evaluating agricultural loans, 40 percent of these loans were to low- and moderate-income borrowers. In addition, where business revenues were relied upon, 100 percent of the loans were to small farms. Furthermore, 97 percent of the business loans reviewed were to small businesses.

A review of the distribution of loans originated by the bank reflects a solid dispersion throughout the bank's assessment area, considering the bank's location, borrower residencies, area demographics, and competitor institutions. The bank has also made a number of consumer and agricultural loans within BNA 9616, which is a moderate-income BNA located directly north of the bank's assessment area. Based upon a review of the three loan samples, the following table shows the percentage of loans located in the moderate- and middle-income BNAs within the bank's assessment area.

<b>GEOGRAPHIC DISTRIBUTION OF LOANS</b>		
<b>Loan Type</b>	<b>Moderate-Income BNAs</b>	<b>Middle-Income BNAs</b>
<b>1- to 4-Family Real Estate</b>	77%	23%
<b>Agricultural</b>	85%	15%
<b>Business</b>	83%	17%



The bank's investments and services were also reviewed to determine other ways in which the bank is helping to meet the credit needs of its community. Although the bank did not have any Qualified investments as defined by the regulation, the bank regularly purchases general obligation bonds issued by the school district and the city. There were several services and other activities conducted by the bank, however, which qualified under the regulation's services test.

First, the bank sponsored a credit counseling seminar held in January 1996. The bank determined, and community contacts attested, that credit counseling is a definite need of many Anadarko residents. Over 90 people attended the seminar and those unable to attend later visited the bank to pick up reference materials that were provided at the seminar. Secondly, the bank has also extended lines of credit to three private construction companies for the construction of a total of 75 low-income housing units for the Wichita and Apache Housing Authorities. The homes will be sold through a loan program backed by HUD. Finally, the bank extended credit to the Anadarko Public Works Authority for the Municipal Hospital. These funds prevented the hospital from closing and thereby helped to stabilize the community.

Reviews of bank policies, credit applications, and loans revealed no prohibited practices designed to discourage applications. Bank management has provided staff training to help prevent violations of the antidiscrimination laws and regulations. No substantive violations of the antidiscrimination laws and regulations were identified.